



FPPA

Questions & Answers for Entry into the FPPA Defined Benefit System

General Questions

Q1 | Who is FPPA?

The Fire and Police Pension Association (FPPA) was established by the Colorado General Assembly and began operations on January 1, 1980. FPPA administers a statewide multiple employer public employee retirement system providing defined benefit plan coverage (The Statewide Defined Benefit Plan) as well as death and disability coverage (the Statewide Death and Disability Plan) for police officers and firefighters throughout the State of Colorado. The Association also administers local defined benefit pension funds for police officers and firefighters hired prior to April 8, 1978 whose employers have elected to affiliate with the Association and for volunteer fire defined benefit plans. In addition, Colorado police and sheriff departments who participate in Social Security



have the option of affiliating for supplemental coverage through the Statewide Defined Benefit Plan and Statewide Death and Disability Plan.

Starting January 1, 1995, the Association began offering membership in the Statewide Money Purchase Plan. Also in 1995, FPPA began offering participation in an IRC 457 Deferred Compensation Plan.

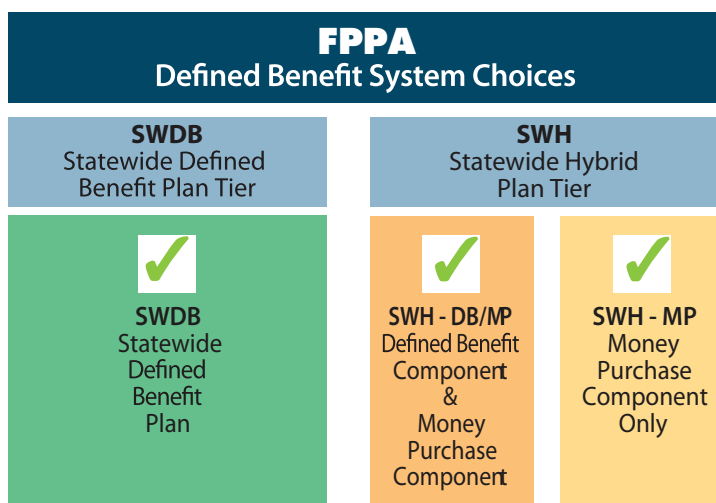
As of January 1, 2004, the Association began offering membership in the Statewide Hybrid Plan (a combination defined benefit and money purchase plan) and permitted members of locally administered money purchase plans to join the FPPA Defined Benefit System.

Starting January 1, 2006, FPPA added to the Defined Benefit System the Colorado Springs local defined benefit pension plans for firefighter and police employees in the Colorado Springs New Hire Pension Plans. These plans are closed for new members as of January 1, 2006.

FPPA is governed by a nine member board of directors who are appointed by the Governor and confirmed by the State Senate. More information can be found at www.FPPAco.org.

Q2 | What plans make up the FPPA Defined Benefit System, for purposes of Partial Entry?

The FPPA Defined Benefit System is comprised of three plans ✓ that are applicable to Partial Entry:



- ✓ The Statewide Defined Benefit Plan (SWDB)
- ✓ The Statewide Hybrid Plan that offers both a Money Purchase Component and a Defined Benefit Component (SWH-DB & MP)
- ✓ The Statewide Hybrid Plan that offers a Money Purchase Component Only (SWH-MP)

In addition to the FPPA plans, members who are active (not terminated or retired) at the time of the partial entry could elect to stay in their local money purchase plan.

Q3 | What is Partial Entry?

Partial Entry refers to a statutory provision (C.R.S. 31-31-1101(3.5)(a)) that permits a members of a fire or police department to either remain covered by their locally administered money purchase plan or join the FPPA Defined Benefit System. Using this process, police officers and or firefighters, whichever is applicable, who are actively employed

at the time of the process individually choose:

1. Whether to participate in the Local Money Purchase Plan or move to the FPPA Defined Benefit System.
2. Those who elect to join the FPPA Defined Benefit System then also decide on which FPPA Plan to participate in going forward. (The employer decides if the SWDB Plan is offered as a choice.)

Those hired after the effective date of entry participate in the FPPA plan selected by the employer. The employer will enroll new members in:

- The Statewide Defined Benefit Plan (SWDB); or
- The Statewide Hybrid Plan that offers both a Money Purchase Component and a Defined Benefit Component (SWH-DB & MP).

A member election is not required by FPPA.

More information on the process for a partial entry is discussed later in this document.

Contribution Rate Questions

Q4 | What is the contribution rate for the plans offered by FPPA?

The contribution rate varies by plan. See below. In all FPPA Plans, the contribution is calculated using the member’s base salary as defined in FPPA Rule 101.05. (See definition in Question 10 or go to FPPAco.org to review the rules.)

Statewide Defined Benefit Plan

Contribution Rate Schedule for Reentry Members - those hired prior to the effective date of entry.

	1	2	3	4	5	6
Effective January 1 of Year	Minimum Mandatory Member Contribution Rate	Minimum Mandatory Employer Contribution Rate	Total Combined Member and Employer Contribution Rate	Additional required rate for Reentry Members*	Additional required rate for Reentry Employers*	Total Required Rate for Reentry Members
2017	9.5%	8.0%	17.5%	0% - 4.0%	0% -4.0%	21.5%
2018	10.0%	8.0%	18.0%	__%	__%	22.0%
2019	10.5%	8.0%	18.5%	__%	__%	22.5%
2020	11.0%	8.0%	19.0%	__%	__%	23.0%
2021	11.5%	8.0%	19.5%	__%	__%	23.5%
2022 and thereafter	12.0%	8.0%	20.0%	__%	__%	24.0%

*Who pays the additional rate for reentry members shown in columns 4 and 5 is a local decision; it may be paid by the member, the employer or split.

▶ **Statewide Defined Benefit Plan**

Contribution Rate Schedule for Non-Reentry Members - those hired after the effective date of entry.

Effective January 1 of Year	1	2	3
	Mandatory Member Contribution Rate	Mandatory Employer Contribution Rate	Total Combined Member and Employer Contribution Rate
2017	9.5%	8.0%	17.5%
2018	10.0%	8.0%	18.0%
2019	10.5%	8.0%	18.5%
2020	11.0%	8.0%	19.0%
2021	11.5%	8.0%	19.5%
2022 and thereafter	12.0%	8.0%	20.0%

▶ **Statewide Hybrid Plan**

Contribution Rate Schedule

Minimum Mandatory Member Contribution Rate	Minimum Mandatory Employer Contribution Rate	Minimum Combined Member and Employer Contribution Rate
8.0%	8.0%	16.0%

The required contribution rate is a minimum 16% of base salary, split 8% member and 8% employer. However, a higher required rate is acceptable. Any excess not designated to fund the Defined Benefit Component is used to fund the member’s Money Purchase Component.

SWH-DB & MP: The FPPA Board makes an annual determination regarding the percentage of the contribution needed to fund the Defined Benefit Component. The remainder is directed to the Money Purchase Component. This split is reviewed and set each year following the completion of the annual actuarial study.

As for the allocation of the contributions, the employer contribution is used to fund the defined benefit first. If additional monies are needed to fund the defined benefit, they will be taken from the member contribution. If the employer contribution is greater than the amount needed to fund the defined benefit, then the excess will be contributed to the Money Purchase Component and is subject to the vesting schedule.

For **July 1, 2016 through June 30, 2017**, 13.5% of the combined contribution rate funds the Defined Benefit component of the SWH Plan, and any remaining portion of the contribution rate funds the Money Purchase.

SWH-MP Only: The entire contribution rate funds the member’s money purchase component.

Q5 | Why do re-entry members who select the Statewide Defined Benefit Plan have a higher contribution rate than non-reentry members who are enrolled in the SWDB Plan?

The minimum required rate for the reentry members is a higher contribution rate because, on average, the group is older, closer to retirement, and more expensive to the plan. The contribution rate differential was suggested by the actuary to help ensure that the members of the plan prior to reentry were not subsidizing the reentry members. It was hard to predict the final make-up of the entering groups. As more members enter the Statewide Defined Benefit Plan, FPPA has gained experience on average entry age, service credit purchases and actuarial experience. So in any given year, if the actuary determines that the contribution rate for reentry members is higher than required to fund their Defined Benefit, the FPPA Board may direct part of the contributions back to those members in the form of a deposit to the reentry Separate Retirement Account (SRA) on behalf of the member.

Q6 | Can a member who selects the Statewide Defined Benefit Plan or the Statewide Hybrid Plan make voluntary contributions to their Money Purchase Component?

Members who choose to participate in the Statewide Hybrid Plan are permitted to submit voluntary contributions on an after-tax basis.

Members who select the Statewide Defined Benefit Plan cannot make voluntary contributions either to the SWDB Plan or to their Money Purchase Component transfer account.

Members who want to voluntarily save additional money for retirement should consider contributing to a 457 Deferred Compensation Plan either through FPPA or another provider. FPPA offers a very competitive low-cost option with a variety of investment options including target date funds, a managed account and a brokerage window.

Q7 | If a department has a higher contribution rate than what is required for the Statewide Defined Benefit Plan, how does that play out?

The excess rate for the reentry members can be accepted. In the SWDB plan, any excess will be employer contributions and it will be deposited into the Separate Retirement Account (SRA). FPPA cannot accept a higher rate for SWDB Plan members hired on after the effective date of entry. If the employer selected the Statewide Hybrid Plan with both the Defined Benefit and Money Purchase Components (SWH-DB & MP) for those hired after the effective date of entry, the higher rate could be continued since the excess could be deposited into the MP Component.

For Example: If the local Money Purchase Plan rate is 12% Member and 12% Employer and the employer decides that it will not lower that rate, and if the department joins the SWDB plan in 2018 the rate paid is 2% higher than the required 22% for that year. In this case 2% of the employer contribution will be deposited into the SRA for 2018; 1.5% for 2019; 1% for 2020; and 0.5% for 2021.

Q8 | Are the contributions submitted as a pre-tax contribution or a post-tax contribution?

It depends. If the required employee (a.k.a. member) contribution going forward varies between employees of an employer depending on plan choice, the lowest required employee contribution is considered the base amount and may be treated as pre-tax.

Employees making contributions into a plan with a higher contribution rate will make such additional contributions on a post-tax basis.

So, in the case of a partial department entry where existing members have individual choice, a portion of their member contribution rate may be post-tax if member contribution rate varies by plan.

However, for those hired after the effective date of entry, because the employer mandates the pension plan and

requires a uniform contribution rate, there is no post-tax portion.

Let's illustrate:

► Scenario 1- shows examples of when there is no post-tax consequence.

- If the members joined the FPPA Defined Benefit System in 2018, when the member rate to the Statewide Defined Benefit Plan is set at 10%.
- If the member rate for the local money purchase plan is also 10%; and
- If the member rate for the Statewide Hybrid plan was set at 10%.

Result: There is no post-tax contribution rate, since even though there is plan choice, the member rate is the same regardless of the plan selected by the individual member.

If effective date of Reentry/ Affiliation is 2018	Local Money Purchase Plan	Statewide Defined Benefit Plan (SWDB)	Statewide Hybrid Plan with both Components (SWH-MP & DB)	Statewide Hybrid Plan with the MP Component Only (SWH-MP Only)
2018 Member Rate for reentry members	10.0%	10.0%	10.0%	10.0%
Pre-tax Portion	10.0%	10.0%	10.0%	10.0%
Post-tax Portion	0.0%	0.0%	0.0%	0.0%

► Scenario 2- shows examples of when a portion of the member rate is to be submitted post-tax.

- If the members joined the FPPA Defined Benefit System in 2018, when the member rate to the Statewide Defined Benefit Plan is set at 10%.
- If the member rate for the local money purchase plan was also 10%.
- If the member rate for the Statewide Hybrid Plan is left at the minimum allowed; 8%.

Result: Members who elect either the SWDB Plan or the Local Money purchase plan will pay 8% on a pre-tax basis and 2% post-tax. Members who elect the SWH Plan pay 8% pre-tax and have no post-tax portion.

If effective date of Reentry/ Affiliation is 2018	Local Money Purchase Plan	Statewide Defined Benefit Plan (SWDB)	Statewide Hybrid Plan with both Components (SWH-MP & DB)	Statewide Hybrid Plan with the MP Component Only (SWH-MP Only)
2018 Member Rate for reentry members	10.0%	10.0%	8.0%	8.0%
Pre-tax Portion	8.0%	8.0%	8.0%	8.0%
Post-tax Portion	2.0%	2.0%	0.0%	0.0%

For more information regarding this issue see memo from FPPA's General Counsel dated 11-2-2016, on www.joinFPPA.org.

Note: FPPA's contributions reporting systems track pre-tax and post-tax contributions and treat them accordingly in retirement. Members recover any post-tax contributions in retirement according to the provisions of the Internal Revenue Code. In other words, members are not double taxed if they submit a portion of the contribution rate post-tax.

Also, the employer will want to give consideration to this tax treatment, including the ability of the employer's payroll system to accommodate the appropriate pre or post-tax designation, when determining which plans will be offered as a choice and when establishing the member contribution rates for current members.

Q9 | Why does the member contribution rate to the SWDB Plan increase until 2022?

In 2014 Members of the Statewide Defined Benefit Plan (SWDB) voted in favor of increasing the member contribution rate. The increase of ½% per year began in 2015; the new member rate will be fully implemented in 2022 at 12%.

The primary purposes of the added funding is to: 1) increases the likelihood that members will receive more meaningful benefit adjustments (a.k.a. COLA's) in retirement to help their pension keep better pace with inflation; and 2) increases the level of funding which in turn increases the protection against benefit rollbacks in times of economic downturns. This election was the result of several months of study by a task force that included members, contacts and FPPA board and staff members.

Q10 | What is FPPA's definition of base salary?

Simply put, the definition of base salary includes the member's base rate of pay, plus any pay for longevity or shift differential. Overtime or other forms of extra pay are generally not included. Please see the specific definition below:

Base Salary is defined in FPPA Rules 101.05. The FPPA Rules and Regulations can be found on the FPPA website, www.FPPAco.org.

101.05. (a) Base salary means the total base rate of pay including Member Contributions to the Statewide Defined Benefit Plan or Statewide Money Purchase Plan which are "picked up" by the employer, and shall also include longevity pay, sick leave pay taken in the normal course of employment, vacation leave pay taken in the normal course of employment, shift differential, and mandatory overtime that is part of the Member's fixed, periodic compensation. Accumulated vacation leave pay will also be included if a Member completes his or her service requirement for purposes of Normal retirement while exhausting accumulated vacation leave. Base salary shall not include overtime pay (except as noted in the preceding sentence), step-up pay or other pay for temporarily acting in a higher rank, uniform allowances, accumulated sick leave pay, accumulated vacation leave pay (except as noted in the preceding sentence), and other forms of extra pay (including Member Contributions which are paid by the employer and not deducted from the Member's salary). In the event an employer has established or does establish a Deferred Compensation Plan, the amount of the Member's salary that is deferred shall be included in the Member's base salary. Any amounts voluntarily contributed to an Internal Revenue Code Section 125 "Cafeteria Plan" shall be included in the Member's base salary. A Member is deemed temporarily acting in a higher rank if the appointment to the rank is anticipated to last less than six months.

(b) Notwithstanding the definition of base salary contained herein paragraph (a), the base salary under the Statewide Death and Disability Plan for each Member of the Colorado Springs New Hire Pension Plan shall be the same as the base salary as defined in the Colorado Springs New Hire Pension Plan.

Process and Considerations Questions

Q11 | What are the primary considerations the employer must be aware of before starting the Partial Entry process?

In order to pursue a partial entry the employer must be willing to:

1. keep the local money purchase plan open for those active members (police officers, firefighters, whichever is applicable) who wish to continue participation in the local money purchase plan and
2. submit contributions on both a pre-tax and post-tax basis, if necessary.

Also, FPPA will work with the employer to gather plan level data to submit to the FPPA Recordkeeper, (Fidelity Investments) to determine if there will be any cost charged to the employer for the asset transfer transition project. FPPA will communicate that cost estimate back to the employer.

Finally, the employer must be comfortable with enrolling all new members hired after the effective date in one of the FPPA Plans, either the Statewide Defined Benefit Plan or the Statewide Hybrid Plan with both the Defined Benefit and Money Purchase Components.

Q12 | Briefly describe the process for a partial entry.

There are a few basic steps.

1. Informational Meetings- FPPA meets with the Employer/Committee (and sometimes with the members) to review the benefits, process, and answer questions regarding FPPA, the plans being offered, etc. We also collect plan level data to determine any cost that might be charged to the employer for transitioning the plans to FPPA/Fidelity.
2. Resolution- FPPA works with the employer to complete a non-binding resolution. The resolution is approved and signed by the employer's governing body (i.e. city council or district board) and submitted to FPPA. FPPA accepts the resolution.
3. Disclosure Process-
 - a. FPPA works with the employer to complete a Disclosure Statement comparing the provisions of all of the plans being offered. FPPA also gathers pertinent data from the employer and then prepares individual retirement projections for each member. Finally, dates and times are set for the member Disclosure Meetings.
 - b. The Disclosure Meetings are the opportunity for members to learn about their plan options and ask questions.
 - c. Following the meeting, members have the opportunity for an individual appointment with FPPA staff to meet and review their individual personalized retirement projections that FPPA has prepared based on the data provided by the employer.
4. System Selection- Following the Disclosure Meeting, members complete a selection form indicating if they want to remain in their local money purchase plan or move to FPPA. For members who chose to remain in their local plan, the process stops here. Confirmation letters are mailed to each member.
5. Plan Selection/Enrollment Meetings- For those members who choose to move to FPPA Enrollment Meetings are conducted to assist members in selecting their FPPA Plan. Once selections are made, confirmation letters are mailed.

6. Final Certification- The Employer files the final certification of compliance with FPPA; at this point the process is irrevocable. (See Employer’s Guide to Completing the Resolution for more information.)
7. Asset transfer- FPPA, Fidelity, the Employer and the recordkeeper for the local plan assets work together to facilitate the transfer of assets of those member accounts moving to FPPA, if applicable.
8. Service Credit Purchase Meetings- FPPA conducts meetings to review the service credit purchase process for those interested members.

Plan Selection Questions

Q13 | Who gets to decide what plans are offered and what plans members are enrolled in?

In the case of a partial department entry; the employer has decided to keep the local money purchase plan as an option for the existing members. The employer also decides if the SWDB Plan will be offered in addition to the SWH Plans.

Partial Entry Plan Choices for members who are active at the time of the entry process.

- Local MP Plan
- SWDB Plan (if permitted by employer)
- SWH-DB & MP
- SWH-MP Only

Existing Members who are employed at the department at the time of reentry (reentry members), individually choose a plan from those offered.

New members (those hired on or after the effective date of entry) are enrolled in the plan selected by the employer for new hires, this can be either the Statewide Defined Benefit Plan (SWDB) or the Statewide Hybrid Plan with the Defined Benefit Component (SWH-DB & MP).

Q14 | Once a member chooses a retirement plan option within the FPPA Defined Benefit System, can they ever change their selection?

The member has no right to revoke the retirement plan option once it is selected. The member will remain in the plan they select for the duration of their employment with their current employer. (In the case of a full-department entry, the selection is not made until after the departmental election to enter the FPPA Defined Benefit System.) If a member changes employers, he or she will be covered by whatever plan the new employer offers its new employees.

Q15 | If a department enters the FPPA Defined Benefit System (either through full or partial entry), do new employees hired after the entry date get a choice of the three plan options?

No. New employees hired after entry into the FPPA Defined Benefit System do not get a choice of the three plan options. They participate in the pension plan option chosen by the employer, as indicated in the Resolution.

Q16 | Will FPPA accept only a portion of the existing members from a department if some want to remain in the local plan?

Yes, in the case of a partial department entry. Each individual member gets to choose between joining an FPPA plan or remaining in their local money purchase pension plan. All new members hired after the effective date are enrolled in the FPPA plan mandated by the employer.

Q17 | If a department enters the FPPA Defined Benefit System is that decision irrevocable, or can they opt out at a later date?

Colorado Revised Statute (CRS) 31-31-1101(4) states that FPPA shall adopt rules that contain a provision specifying that an employer that opts to participate in the FPPA Defined Benefit System shall not be permitted to opt out of such plan at any later date.

This mandate was incorporated into the Statewide Hybrid Plan Rules and Regulations 2.02 (a)(7). As part of the Employer's Resolution to cover its members in the FPPA Defined Benefit System, the Employer acknowledges that election for coverage under the FPPA Defined Benefit System is irrevocable.

The long-term viability of a defined benefit plan requires stability and consistency in its membership base. Allowing members or departments to enter and withdraw at will weakens the stability of the plan and increases the cost of benefits. There is also the issue of determining the appropriate amount of funding that a member or department can take upon withdrawing from a defined benefit plan, particularly if they want to withdraw after an especially good or bad period of market returns, since a defined benefit plan is funded based on a long term, not short-term, average rate of return.

There was little, if any, discussion on the part of the task force for allowing free entry into and exit from the FPPA Defined Benefit System. When creating the opportunity to allow re-entry, an over-riding concern was to in no way harm the plan for its existing members by allowing new members to join. For the 24 departments that have re-entered to date, the lack of a disaffiliation option was not an issue.

At this point in time it would take legislation to allow for withdrawal from the FPPA Defined Benefit System except that certain departments may be allowed to withdraw into the Statewide Money Purchase Plan.

If members are unsure as to whether or not they want a defined benefit plan, current, existing members will be given an individual choice to stay in the Money Purchase Component only of the Plan. Currently, Fidelity Investments is the service provider and record keeper. The FPPA Board may change providers if Fidelity is not providing the quality of services expected for the membership.

Q18 | If the member chooses to move to FPPA, what happens to his or her money purchase account?

If the employer indicates in the resolution that the assets for transferring members are moving to FPPA, then member's money purchase funds moves to FPPA with the member. The funds are held in a "transfer account" at Fidelity (FPPA's recordkeeper for the MP component) in each member's name. Members continue to manage the investment of any funds held in the MP transfer account.

If the member is enrolled in either the SWDB Plan or the SWH Plan with a DB component, he or she may choose to use those funds to purchase defined benefit service credit.

At termination, retirement or death, the funds are payable to the member, his or her beneficiary or estate, as applicable.

In addition, the Money Purchase Component will be used in calculating the offset in the event benefits are eventually payable from the Statewide Death & Disability Plan.

Cost and Fee Questions

Q19 | Does FPPA charge employers a fee to go through the entry process?

FPPA does not charge a fee, however Fidelity (FPPA's recordkeeper) may charge a fee for the transition of the assets. An estimate can be provided to the employer before the process starts so the employer can determine if they wish to move forward.

Q20 | What is the fee charged to members who are enrolled in one of the FPPA defined benefit options?

FPPA's combined investment management and administrative costs for year ended December 31, 2015 for the Fire and Police Members' Benefit Investment Fund was 1.02% of the fund. The Fund consists of the Statewide Defined Benefit Plan, the Statewide Death and Disability Plan, the Statewide Hybrid Plan-Defined Benefit Component and numerous separate Local "Old Hire" and Volunteer Fire pension funds.

However, generally, members enrolled in defined benefit are not charged a fee. Investment expenses and administrative expenses are netted from investment earnings, so each fund effectively gets credited with net returns (like a mutual fund). It is not accurate to apply defined contribution (separate account) concepts to a defined benefit (pooled account) plan. (Some exceptions could apply, e.g. retirees who elect not to have their monthly payment issued by direct deposit can elect to have a check mailed for a small fee.)

The difference with defined benefit is that each member does not have an "account balance" as such. He or she has a future defined benefit.

The only Statewide Defined Benefit related accounts held at FPPA in which the benefit is directly impacted by the administrative costs is the Separate Retirement Account (SRA) and if applicable, the Deferred Retirement Option Plan (DROP) account.

Q21 | What are the costs associated with the Money Purchase Component of the SWH Plan?

FPPA's plans are very competitively priced. In 2016 SWH Plan participants paid 0.037% per quarter. The participant fee considers the cost charged by Fidelity to provide recordkeeping service (currently 0.09%) and FPPA's administration services, plan oversight and member education (currently 0.08%). Finally, expenses charged by the underlying mutual funds offered within the plan (vary by fund). The fees are typically determined Q1 each year. Beginning in 2017, each participant will be charged an annual fee of \$10 then the asset based fee. When determining the asset based fee, FPPA will factor in the amount already collected by the annual flat dollar fee. (The latest Fee Announcement is posted on the FPPA website, www.FPPAco.org.)

Benefits and Benefit Payments

Q22 | How is the average of a Member's highest three years' base salary (HAS) calculated? How is this calculated for a Member who purchases service credit upon department entry and wants to retire or enter DROP without having three years of salary history in the defined benefit plan?

The average of a Member's highest three (3) years' base salary, for purposes of calculating a Member's Normal, Early,

Deferred or Vested retirement benefit, shall be the average of the Member's highest three (3) calendar years' actual salary on which contributions into the Statewide Defined Benefit Plan or Statewide Hybrid Plan- Defined Benefit Component were paid. If the Member purchased service credit within the last three (3) years of service, the attributed salaries calculated by using the actuarial data in the service credit calculator for the periods of service credit purchase may also be used in calculating the average of a Member's highest three (3) years' service. In other words, if a Member retires or enters DROP immediately, the salary used to calculate the cost to purchase service can be used as one year of salary history. The second year of salary history is determined by reducing the salary used to purchase service credit by 4%. The third year of salary history would be determined by reducing the second year of salary history by 4%. The highest average salary (HAS) is determined by averaging these three amounts.

Example:

- If the salary used to purchase service credit was \$50,000.00 that would be the first year of salary history.
- The second year of salary history would be 96% of \$50,000.00 or \$48,000.00.
- The third year would be 96% of \$48,000.00 or \$46,080.00.
- The HAS would then be \$48,026.67 $(\$50,000.00 + \$48,000.00 + \$46,080.00) / 3$.

This method has been adopted to ensure the members benefit is based on the appropriate contributions in other words, this is designed to ensure that the HAS used in the purchase of service credit calculation correlates with the HAS used in the benefit calculation. You get what you paid for.

This rate and practice will be reviewed in the context of implementing the new actuarial assumptions and adjustments may be made.

Q23 | Is "converting an account to a monthly lifetime benefit" at retirement like buying an annuity?

Yes, except FPPA does not charge commissions or fees. FPPA calculates a monthly lifetime benefit based on a member's account balance, their age, FPPA's actuarial assumption rate of return of 7.5%, and an additional margin for possible future benefit adjustments and/or adverse experience, to protect the plan. Members also have the option of choosing one of the FPPA's survivor options if they have a Money Purchase Component only. If a member also has a Defined Benefit Component, this monthly benefit will be added to that component, and the member will choose one survivor option. The conversion to a monthly lifetime benefit is also a distribution option for DROP and SRA accounts.

Q24 | Is there a maximum benefit that can be accrued in the Defined Benefit Plan?

Yes, for a defined benefit plan, the 2017 dollar maximum is \$215,000/year per the IRS code 415(b) Limits.

Accumulated DROP balances are not included in this maximum amount.

Q25 | Explain the benefit adjustment (commonly referred to as Cost-of-Living Adjustment or COLA's) provisions and how the benefit adjustments are determined under the DB Plans.

There are no guaranteed benefit adjustments under the SWDB and SWH Plans. Benefit adjustments are ad hoc, meaning that they are awarded annually at the discretion of the FPPA Board. In determining whether to grant a benefit adjustment and the amount of an adjustment, in addition to the most recent Consumer-Price Index, the Board considers the plan's ability to pay the current cost of awarding an adjustment and the plan's ability to pay for future adjustments.

Q26 | Is the Statewide Defined Benefit Plan solvent? We've heard that FPPA is not as well funded as the funded ratio might indicate because the actuarial study does not account for the benefit adjustments when determining the funded ratio.

The SWDB plan is solvent. There is no fixed or guaranteed COLA under the Statewide Defined Benefit Plan. By statute, any benefit adjustment shall be determined by the FPPA board at its discretion after considering the funding level of the plan, the cost of such increase, whether the increase creates an adverse actuarial impact on the plan's ability to fund future benefits, and any other factors the board deems appropriate. The Board has adopted a policy for the calculation of the COLA as follows: "The Board's actuary will calculate a suggested benefit adjustment pursuant to a breakeven 100% funding method, i.e., the benefit adjustment that could be assumed to continue in perpetuity each year into the future and produce a 100% funded ratio as of the valuation date." So while it's technically accurate to say that the reported funding ratio does not include a COLA, the actuarial methodology used to determine COLAs restricts COLAs in order to maintain full funding of the plan into the future.

Regarding the Defined Benefit Component of the SWH Plan, the current practice is to factor in funding for a COLA when determining what portion of the contribution rate will fund the DB Component and how much is remaining to fund the Money Purchase Component.

Q27 | Pension benefits for members choosing the "normal" option are not reduced. Why are benefits reduced if a member chooses one of the other payment options (Options 1-5) in the Defined Benefit Plan and the Hybrid Plan? How much is the reduction?

If a member selects the Statewide Defined Benefit Plan or the Statewide Hybrid Plan, at retirement or at the time the member enters the DROP he/she will select a payment option for the Defined Benefit. Options available include: Normal, Option 1, Option 2, Option 3, Option 4 or Option 5. These are discussed in the Statewide Defined Benefit Plan and Statewide Hybrid Plan brochures.

Benefits are reduced for options that cover a beneficiary because the pension benefit is now providing a lifetime benefit, not only for the member, but also for the member's beneficiary. The reduction is based on the combined life expectancy of the member and beneficiary. There are charts in the plan summary brochures which can be found on the FPPA website at www.FPPAco.org or joinFPPA.org.

Q28 | What happens if an active member in the Statewide Defined Benefit Plan dies?

If benefits are payable from the Statewide Death & Disability Plan*, those benefits are payable in lieu of the members pension (Statewide Defined Benefit Plan).

If benefits are not payable from the Statewide Death & Disability Plan because the member leaves no surviving spouse and/or dependent children who are eligible for survivor's benefits under that plan; or, if the member is not eligible for normal retirement benefits under the Statewide Defined Benefit Plan, the deceased member's pension contributions to the Statewide Defined Benefit Plan plus 5% as interest, may be refunded to the member's designated beneficiary. In this instance the SRA balance is also payable if the member was vested at the time of death.

If the member has not designated a beneficiary and the member leaves no surviving spouse and/or dependent children who are eligible for survivor's benefits under the Statewide Death & Disability Plan; or, if the member is not eligible for normal retirement benefits under the Statewide Defined Benefit Plan, the deceased member's pension contributions, plus 5% as interest, may be refunded to the member's estate. Any contributions rolled into the pension plan from a member's current plan, (regardless if they were member or employer contributions), and any funds paid/rolled in to purchase service credit are considered member contributions and included in the calculation of the refund.

**Most, but not all of the police officers and firefighters in Colorado are covered by the Statewide Death and Disability Plan. If you are unsure if you have coverage, contact FPPA, or ask your HR department.*

Q29 | What happens if a member dies as an active member in the Statewide Hybrid Plan - Money Purchase Component only?

If benefits are payable from the Statewide Death & Disability Plan*, those benefits are paid, but are reduced or offset by the value of the member's Money Purchase Component. In addition, the funds in the Money Purchase Component are payable to the beneficiary listed.

*Most, but not all of the police officers and firefighters in Colorado are covered by the Statewide Death and Disability Plan. If you are unsure if you have coverage, contact FPPA, or ask your HR department.

Q30 | What happens if a member dies during retirement if they are covered by the Statewide Defined Benefit Plan or the Statewide Hybrid Plan - Defined Benefit & Money Purchase Components?

If a member dies during retirement in either plan and has chosen a payment option that includes survivor benefits (Options 1-5) the member's designated beneficiary will receive the survivor benefit payable for their lifetime according to the option selected.

If a member selects the Normal Option and dies during retirement before being paid the full amount of member contributions, the remainder, plus 5% as interest, will be paid out to the member's estate.

If a member has an account balance in the Money Purchase Component, those are payable to the member's beneficiary.

If the member has funds remaining in the SRA it is paid to the member's beneficiary or estate.

If a member chose a payment option with survivor benefits and both the member and a designated beneficiary died before the full amount of the member's contributions had been paid out, the remainder of a member's contributions, plus 5 % as interest, will be paid out to the member's or beneficiary's estate.

In either case, any contributions rolled into the plan from a member's current plan, (regardless if they were member or employer contributions), and any funds paid/rolled in to purchase service credit are considered member contributions and included in the calculation of the refund.

Q31 | How long after retirement can a member defer starting a benefit payment?

Defined Benefit Component: If a member has reached eligibility for a normal or vested retirement (age 55 with at least 5 years of service), and has separated from service, he/she may choose to defer receiving his/her retirement benefits as late as age 65. If a member chooses to defer receiving their retirement benefits they will receive the actuarial equivalent of the normal or vested retirement benefit.

Money Purchase Component: A member may defer taking distribution of his/her account until age 70½. This is an IRS regulation.

Q32 | Can a member with an account balance in a money purchase plan component, who separates from service prior to age 55, begin taking distributions from the money purchase plan immediately?

While age 55 is considered the normal retirement age under the plans, the plan does not prohibit distributions prior to age 55 once a member has separated from service. However, depending on the circumstances, the distributions may be subject to a 10% IRS penalty for early distribution.

Q33 | How can a money purchase distribution be structured to avoid the 10% early distribution penalty?

There are several exceptions which allow a member to take a distribution prior to age 55 without incurring an early distribution penalty. They include:

- Distributions made in Substantially Equal Periodic Payments (SEPP) which begin prior to the member reaching age 55 and following separation from service. A member must continue the SEPP program for five years or until he/she reaches age of 59.5, whichever comes last.
- A member may take distributions at age 55 or later without penalty, unless they have previously elected to participate in a Substantially Equal Periodic Payments. Because FPPA plans are for qualified public safety employees, the plan’s normal retirement age of 55 falls within the safe harbor for distributions.
- A Member found to be permanently occupationally disabled or totally disabled or a beneficiary of a deceased member may take a distribution without penalty.
- There may be certain limited circumstances under which medical expenses may be paid with distributions prior to age 55.

A member must be careful to adhere to the IRS rules or the early distribution penalty will be applicable. Members are advised to seek the advice of a tax professional regarding early distributions and the exceptions to the penalty. FPPA does not provide tax or legal advice.

Funding/Unfunded Liabilities Questions

Q34 | What is the funded status for the SWDB and SWH Plans?

As of the January 1, 2016 actuarial study, the funded status is as follows:

Statewide Defined Benefit Plan SWDB	Statewide Hybrid Plan-Defined Benefit Component SWH-DB	Statewide Hybrid Plan- Money Purchase Component SWH-MP
102.4%	132.3%	Money Purchase plans do not have a funded ratio since there is no promised benefit.

Q35 | What steps would FPPA take to secure the SWDB plan, the SWH Plan and the Money Purchase Component if, at some point, the plans had an unfunded liability?

Statewide Defined Benefit Plan - The Colorado Revised Statutes provide certain safeguards but do not identify a specific order for their implementation in the event that the SWDB plan is determined to not meet the definition of “actuarially sound”. “Actuarially sound” is defined as when the contribution rate meets or exceeds the normal annual cost of benefits plus the annual cost of the unfunded liability (if any) amortized over forty years.

- The excess funding which is held in reserve to pre-fund future discretionary benefit adjustments for retirees would be eliminated.
- The Board may reduce benefits provided by non-statutory plan modifications and may reduce or eliminate the accumulated Separate Retirement Accounts (SRA).

- The Board would be required to increase the age of normal retirement incrementally up to age 60 (for active members) in order to contain the costs of the benefits within the statutory contribution rates.
- After the elimination of the pre-funding for benefit adjustments for retirees, the three remaining options may be implemented incrementally and in combination at the discretion of the FPPA Board. Reductions may be reinstated when plan funding recovers.
- Under current law the Board can pursue an increase in the employer's contribution rate, but only after eliminating the non-statutory benefits, eliminating all of the SRA for all active members, and increasing the normal retirement age incrementally to age 60.
- In addition, contribution rates could be changed through legislation. (The member contribution rate can be changed through a member election, as was done in 2014.)

Statewide Hybrid Plan - Defined Benefit Component - The FPPA Board will determine on an annual basis the allocation of mandatory contributions between the Money Purchase Component and the Defined Benefit Component in the Fund. The allocation to the Defined Benefit Component shall be based upon the rate of contribution necessary to fund the liabilities for defined benefits based on an actuarial study. The excess, if any, between the required contribution rate and the rate necessary to fund the defined benefits from the Defined Benefit Component shall be deposited in the Member Account in the Money Purchase Component. Amortization of any defined benefit liability over a 40 year period shall be deemed adequate to maintain actuarial stability. (To be more conservative, FPPA uses a 30 year period.)

Statewide Hybrid Plan - Money Purchase Component - Under this type of plan, a member is not promised a set benefit or pension at retirement, therefore, unfunded liability status is not an issue and there is no "funded ratio".

Q36 | How did so many local old hire plans get unfunded and the FPPA Plan remain well funded?

The origin of these unfunded liabilities predates FPPA. (Employees hired prior to April 8, 1978 are considered as Old Hires. Employees hired after that date are New Hires.) In fact, FPPA was created in large part because so many of the local old hire plans had not been adequately funded. At FPPA's inception in 1980, there were 104 plans with unfunded liabilities receiving state assistance. The legislation that mandated proper funding did not require the full actuarially required contribution right away though. There were hardship provisions that gradually stepped up the contribution requirements so that the plans were being funded appropriately by 1988. Due to the hardship provisions, unfunded liabilities were legally allowed to continue to grow until 1988.

Through a combination of increased contributions, state assistance and better than expected investment returns produced by FPPA, unfunded liabilities in most of these plans have been eliminated. On the other hand, the Statewide Defined Benefit Plan set appropriate contribution rates to cover members since inception. At no time were contributions ever less than needed to cover each member from his/her first day on the job. The plan conducts an annual actuarial study to make sure that the funding level is on track.

Since inception of the plan in 1980 until 2014, there was never an increase in the 8% employer and member contribution rates, and the benefits under the plan have improved significantly during that time. However FPPA received member feedback indicating a desire to contribute more to their pension to improve the plan's ability to pay benefit adjustments, (also called COLA's), in retirement and decrease the possibility of future benefit reductions. Following the recommendation of a member task force, members of the Statewide Defined Benefit Plan voted in 2014 on a 4% increase to the member contribution rate, phased in over 8 years at 1/2% per year. That vote passed and the increase began in 2015 and it will be fully implemented in 2022.

There are several plan provisions worth mentioning that contribute to keeping the Statewide Defined Benefit Plan properly funded. First, when members purchase service credit, they must pay the full actuarial cost, not an “average, bargain, or subsidized” cost that creates an unfunded liability for the plan. Second, when the normal cost of the plan is less than the full 16% in any given year, rather than lower the contribution rate, the Board historically has held the “excess” in reserve for future benefit adjustments, then allocated any remaining funding to the members’ SRA accounts. All of the “excess contributions” stay in the plan and are available to fund the base benefits should there be adverse investment experience for an extended period of time. The consistent required contributions are also easier for the employer to budget for each year, rather than an amount that fluctuates according to the current financial requirements of the plan.

Employers with local money purchase plans have expressed their concerns about the possibility that the cost of the defined benefit plan could increase at some time in the future. FPPA has never had to increase the Employer contribution rate, yet has been able to improve benefits a number of times. The increase in the Member contribution rate adds further protection in the plan that is not currently required to pay the base benefits. No increase in the Employer contribution rate is anticipated at this time. Many local money purchase plans are already funding their plans well over the FPPA required rate. This was all done locally, and not required by FPPA.

Finally, the plan’s definitions of base salary and HAS minimize the likelihood of salary spiking, a practice that can have a negative impact on DB Plans.

Q37 | If FPPA had to increase contribution rates or decrease benefits as discussed in Q38 how would this work?

The FPPA Board is required to increase contribution rates in the event that the normal cost of benefits plus the amortization payment for the unfunded liability of the plan, if any, exceeds the required contribution rate. Prior to increasing the Employer contribution rate, the Board must eliminate any benefit improvements approved by a vote of the members, must increase the retirement age to age 60 and must eliminate the SRA accounts. There is the possibility of increased contribution rates in the future if investment earnings fall below the actuarial assumed rate of return for an extended period of time.

This provision of the plan is not automatically triggered just because the funding level of the pension plan drops below 100% of the accrued liabilities of the plan. Using the statutory definition of “actuarially sound” the unfunded liability of the plan must grow to the point that it, plus the normal cost of service credit cannot be paid over a 40 year amortization period with the required contribution rate.

In such an event, an effective date would be established after which the benefits would accrue at an adjusted lower rate, a later normal age for retirement would be established, and the SRA would be eliminated. If even with these adjustments, a contribution rate higher than the current required rate is still needed, the Board would then establish a higher contribution rate. However, benefits which a member had earned and accrued, or purchased, prior to the effective date cannot be reduced. A benefit reduction would only apply to service credits not yet earned as described in Question 38. Benefits cannot be reduced for a member who is retired or for a member who has separated from service and has applied for a vested retirement and is waiting for age 55.

Q38 | Can the FPPA Board reduce percentages of retirement benefits due to unfunded liability on their own or does that take a membership vote?

The Board could only reduce retirement benefits provided by non-statutory plan modifications (amendments voted in by the membership not legislative changes) if the normal cost of the pension benefits plus the amortized cost of the unfunded liability exceeds that funded by the required contribution rate. The benefits which a member has earned and accrued cannot be reduced. The reduction would only apply to future service credits.

Q39 | The Defined Benefit is a “promise to pay”. What guarantee is there that a member will receive the retirement benefit they are eligible for?

A member has a contractual and a statutory right to the benefit that he or she is promised under the terms of the plan. The contractual right is similar to the right that a person has with a private pension provider, that is to enforce the benefit of the bargain to be received by the member. The statutory right is more significant because FPPA, municipalities and districts that participate in these plans, and the state are governmental entities. The member has a property interest in his or her accrued benefit. The U.S. Constitution provides that government cannot deprive citizens of their property without just compensation or due process.

Besides these basic legal protections, the plan contains a number of safeguards that are in place to make sure the funds are available to pay the benefits. Historic management of the plan has maintained a very well-funded plan, with surpluses available to balance the cycles in the investment markets. Although never used previously, there are also controls in the plan in the event that the plan becomes actuarially unsound. Investment of the fund by nine independent Board members, oversight of the fund by the legislature, the fund’s independent auditor, and the fund’s actuary, as well as periodic review by the participating local governments, the State Auditor and the Governor’s office also offer protection to the member that the fund is operating legitimately and in an actuarially sound manner.

Q40 | Are payments from the Defined Benefit Plan guaranteed or can they be reduced by the next recession?

Retirement benefits earned and accrued cannot be reduced. Retiree benefits cannot be reduced. The rate at which future benefits are paid can be adjusted as described in Question 38.

Q41 | What is the difference between participating in the Statewide Defined Benefit Plan and purchasing an annuity with a Money Purchase account balance?

While it is possible to receive a lifetime benefit with either option, there are a few key differences.

In the Statewide Defined Benefit Plan:

- A member can easily project what percentage of pay he or she will receive when at retirement based on the formula in the plan. Even as a young firefighter or police officer, there is some certainty when planning for retirement and projecting your retirement income. Knowing this early on helps individuals determine how much they may need to save in other retirement vehicles in order to meet their retirement goals.
- The investment risk in the defined benefit plan is pooled, and is spread over a long (30 year) investment horizon. While market losses impact the plan, in a pooled investment there is much less risk of an impact on the individual member’s retirement.
- There is an ad hoc benefit adjustment provision in the Statewide Defined Benefit Plan.
- FPPA’s investments are directed by investment professionals.
- There are no added fees or commissions charged to ensure a lifetime benefit. FPPA does not pay its employees any type of sales commission.
- FPPA is a governmental entity which does not earn profits and does not have shareholders. Any gain in a plan directly benefits the members of that plan.

In a Money Purchase Plan:

- A participant in a Money Purchase plan will not know until retirement what account balance they have available

to purchase an annuity. This makes planning more difficult. If the Money Purchase balance is not sufficient to pay an adequate monthly benefit, it is difficult to correct the problem at this late stage.

- While retirement projections may be run throughout one's career, individual money purchase plan accounts are more sensitive to market downturns since this is an individual account rather than a pooled investment. If losses occur shortly before retirement, the member's "buying power" for purposes of purchasing an annuity or paying themselves a monthly benefit is reduced.
- The police officer or firefighter assumes the investment risk leading up to retirement.
- There are often fees or sales commissions paid by the individual when he or she converts an account balance to a lifetime annuity. This fee or commission can be substantial. There may be an added premium to purchase a lifetime annuity. There also may be an added premium to build in a cost of living adjustment.
- Annuities are most often sold by for-profit organizations which are organized to pay a profit to shareholders.

It is possible that a member in a Money Purchase Plan may be able to purchase an annuity that pays a monthly benefit that is higher or equal to that provided by a defined benefit plan; however the uncertainty of the market and the timing of the purchase can make planning very difficult.

Q42 | If the State of Colorado oversees this plan through the legislature, how does that preclude the State from using or claiming the FPPA monies as an asset?

Oversight of the plan is not the equivalent of control of the plan. In fact, C.R.S. 31-31-201, in part, states that the Fire and Police Pension Association "shall be a body corporate and a political subdivision of the state and shall not be an agency of state government and shall not be subject to administrative direction by any department, commission, board, or agency of the state." (emphasis added)

Oversight of the statewide plans, the old hire plans, and all other activities of the FPPA is provided by the Colorado Legislature.

In fact, no state funds have ever been contributed to the Statewide Defined Benefit Plan or the Statewide Hybrid Plan. It is difficult to imagine any legal argument that these funds are "assets of the state." These funds have been accumulated entirely from member and employer contributions and the earnings thereon. In fact the statute creating the trust fund provides, among other protections, that "the funds shall be held and distributed for the purpose of [the provision of pension benefits] and for no other purpose whatsoever." C.R.S. 31-31-203. This language is a required element of the plan under the Internal Revenue Code, which grants the "qualified plan" status and allows the contributions going into the plans to be non-taxable. This section cannot be removed legislatively without dire tax consequences to the municipalities who have contributed to the plan. There is no statutory or constitutional authority that provides for the state to use or claim the funds held under these plans.

The FPPA Board acts as the trustee of these funds and the funds are held in trust for the benefit for the members of the plan. The Board, and the individual members of the Board, are fiduciaries to the plan. It would be a breach of the Board's fiduciary duty to allow the state to gain control over the assets of the plan.

In summary, any attempt of the state to use or claim the assets of the plan would require legislative changes that are 1.) approved by a majority of both houses of the legislature and 2.) approved by the Governor. These approvals would have to be made over the objections of the FPPA Board, the firefighters and police officers that are members of the plan, the municipalities that participate throughout the state, and the Internal Revenue Service. Even if legislation was passed, given the structure of the plans and the body of law governing trusts and qualified plans, in FPPA's legal opinion it is extremely unlikely that such legislation would be sustained in the subsequent court challenge.

Q43 | If there is a shortfall in the Statewide Defined Benefit fund, could money be transferred from the Money Purchase Component to the Statewide Defined Benefit fund?

No, FPPA could not take money from the Money Purchase Component if there is a shortfall in the Statewide Defined Benefit fund. There is no provision in the plan document to take money from the Money Purchase Component for any reason. All employee dollars, and all employer dollars, if the member is vested, are vested in the employee's Money Purchase Component from the day they are contributed in the account. FPPA could not conceivably touch these vested dollars. FPPA could not touch the non-vested dollars either. The non-vested dollars are held there in trust, in anticipation of the member vesting.

Service Credit Purchase Questions

Q44 | If a member elects the Statewide Defined Benefit Plan and has a balance in the Money Purchase Component, what are the options with regard to service credit purchase?

In this instance, a member would have the following options:

- The member may choose not to purchase any service.
- The member may convert all of the 401(a) assets in the money purchase account to defined benefit service credit, even if this buys more service than the member worked at the current employer.
- If the conversion of these 401(a) assets does not buy all eligible service, other sources (457, IRS, etc.) previously rolled into the money purchase account or held in other accounts may be used.
- Any funds left in the money purchase account are managed by the member.

Q45 | Regarding vesting, do the years of service start accruing from the time the group enters the FPPA Defined Benefit System or do the years carry over?

Money Purchase Component - Years of service are based on combined years of service in local plan and the FPPA Defined Benefit System. Members retain their original hire date with their employer. Regarding the member's current Money Purchase Account, all members (vested and non-vested) will be fully vested in the Employer Transfer Account upon entry into the Defined Benefit System.

Defined Benefit Component - Years of service credit must be worked or purchased. In other words, service begins accruing toward the Defined Benefit Plan at entry date into the plan. However, members may purchase service credit for past service worked (many members use their Money Purchase Component assets to purchase service credit in Statewide Defined Benefit Plan or Defined Benefit Component of the Statewide Hybrid Plan). For instance, a member could purchase 5 years of service credit and be vested immediately, or he or she could work the 5 years to become vested, or any combination thereof. In any case the defined benefit percentage will be determined based on a member's combined service credit worked and purchased.

Q46 | What type of funds can be used to purchase service credits?

Tax-deferred money from any the following plans can be used to purchase service credit: 401(a) plans, 401(k) plans, 457 Governmental Deferred Compensation plans, 403(b) Tax Sheltered Annuities, Traditional IRA's, SEP and Simple IRAs. A member may also use after-tax money (for instance, money in a savings account) to purchase service credit. If a member uses after-tax money to purchase service, FPPA will track that money as after-tax dollars and those funds will not be taxed when they are paid out in retirement.

Q47 | When would members entering the Defined Benefit System be eligible to purchase service credit?

Generally, members are eligible to begin purchasing local plan service credit, service credit for other public sector employment, and military time one month after the entry date. However, members with less than 1 year at the department will have to wait until their first anniversary.

Members must be in the Statewide Plan 5 years before they can purchase private sector employment. (Certain IRS restrictions apply.)

Q48 | How is the cost to purchase service credit determined?

The cost of service credit to be purchased is determined by the FPPA Board on an actuarially equivalent basis. The formula used includes your age and highest annual base salary while in the defined benefit plan. Therefore, the cost to purchase service increases for each month you age (up to age 55) and as your salary increases.

FPPA & Fidelity Services and Investments Questions

Q49 | Is Fidelity the permanent recordkeeper for the Money Purchase Component or could it change at a future date?

The FPPA Board has the discretion of changing the recordkeeper/service provider at any time if they feel the services are not meeting the needs of the membership.

Q50 | What extra fees and minimums are associated with the BrokerageLink Account offered by FPPA/Fidelity?

Fees: There are no plan level fees charged to participants. There are trade fees.

Minimums: Members must keep at least 5% of their account invested in the standard plan options; the remainder can be invested through the BrokerageLink (self-directed brokerage window.)

For more information on Fidelity BrokerageLink or to establish a BrokerageLink account, please call a Fidelity Service Center Representative at 1(800) 343-0860, Monday - Friday, 6:30 am -10:30 pm MST.

Q51 | Can the Fidelity BrokerageLink Account be continued into retirement?

Yes, a member can continue their BrokerageLink Account into retirement and maintain all of the account features. If a distribution is taken, all assets would flow through the retirement plan, and the money would come directly from Fidelity, the recordkeeper for the plan.

Q52 | Does the FPPA have the ability to offer a broader range of investments than currently exists in the Money Purchase plan?

FPPA can offer additional investment options in its discretion. The issue of adding/replacing investment options is continually reviewed by FPPA's Self Directed Plans Committee, and its third-party consultant. FPPA strives to balance the member's needs/demands/requests by providing a meaningful list of fund options, without overwhelming members with too many choices. This also helps to ensure that members receive the appropriate information on the fund options offered. If a fund is not meeting performance and/or operational standards set by the FPPA Investment Policy, the fund may be replaced.

FPPA also offers a BrokerageLink account for investors willing to take on additional monitoring responsibilities and risk with their investments. It allows members to invest their Money Purchase Component, SRA or DROP account balances in a broad range of Fidelity and non-Fidelity mutual funds plus a wide range of individual securities not offered within the standard plan account options.

Loan Questions

Q53 | Does FPPA accept the outstanding loans from Money Purchase Plan accounts?

Yes. However, no new loans are permitted after entry date. Existing loans can be transferred to Fidelity. The member will be able to continue to repay that loan through Fidelity via automatic withdrawal from an account designated by the member.

Divorce Questions

Q54 | How does FPPA handle Domestic Relations Orders (DRO's)?

FPPA must comply with the agreement set forth in the Domestic Relations Order. In the case of a Defined Benefit Plan, the alternate payee cannot receive payment until the member is eligible. In the case of a Money Purchase Plan, the alternate payee may receive distributions while the member is still active. More information can be found on at www.FPPAco.org.

FPPA

Fire & Police Pension Association of Colorado

5290 DTC Parkway, Suite 100 • Greenwood Village, Colorado 80111-2721

(303) 770-3772 ■ toll free (800) 332-3772 ■ fax (303) 771-7622

FPPAco.org

February 2, 2017

